ORIGINAL

AT&T

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November 12, 2002

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW, Room TWB-204
Washington, DC 20554

Re: Notice of Oral Ex Parte Communication, In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, CC Docket Nos. 01-338, 96-98 and 98-147

Dear Ms. Dortch:

On Friday, November 8,2002, Bob Quinn, Mike Pfau, Rich Rubin and the undersigned, all representing AT&T, met with William Maher, Scott Bergmann, Michelle Carey, Rich Lemer, Tom Navin, Robert Tanner, Jeremy Miller and **Julie** Veach **of the** Commission's Wireline Competition Bureau. The purpose of the meeting was to discuss the engineering and economic disadvantages that CLECs face in hying to compete in the analog mass-market world using a UNE-L strategy. **All** comments made at the meeting were consistent with the attached presentation materials.

Consistent with Commission **rules,** I **am** filing one electronic copy of this notice and request that you place it in the record of the above-referenced proceedings.

Sincerely,

Joan Marsh

cc: William Maher
Michelle Carey
Thomas Navin
Jeremy Miller
Scott Bergmann
Rich Lerner
Robert Tanner

PROMOTING MASS-MARKET COMPETITION:

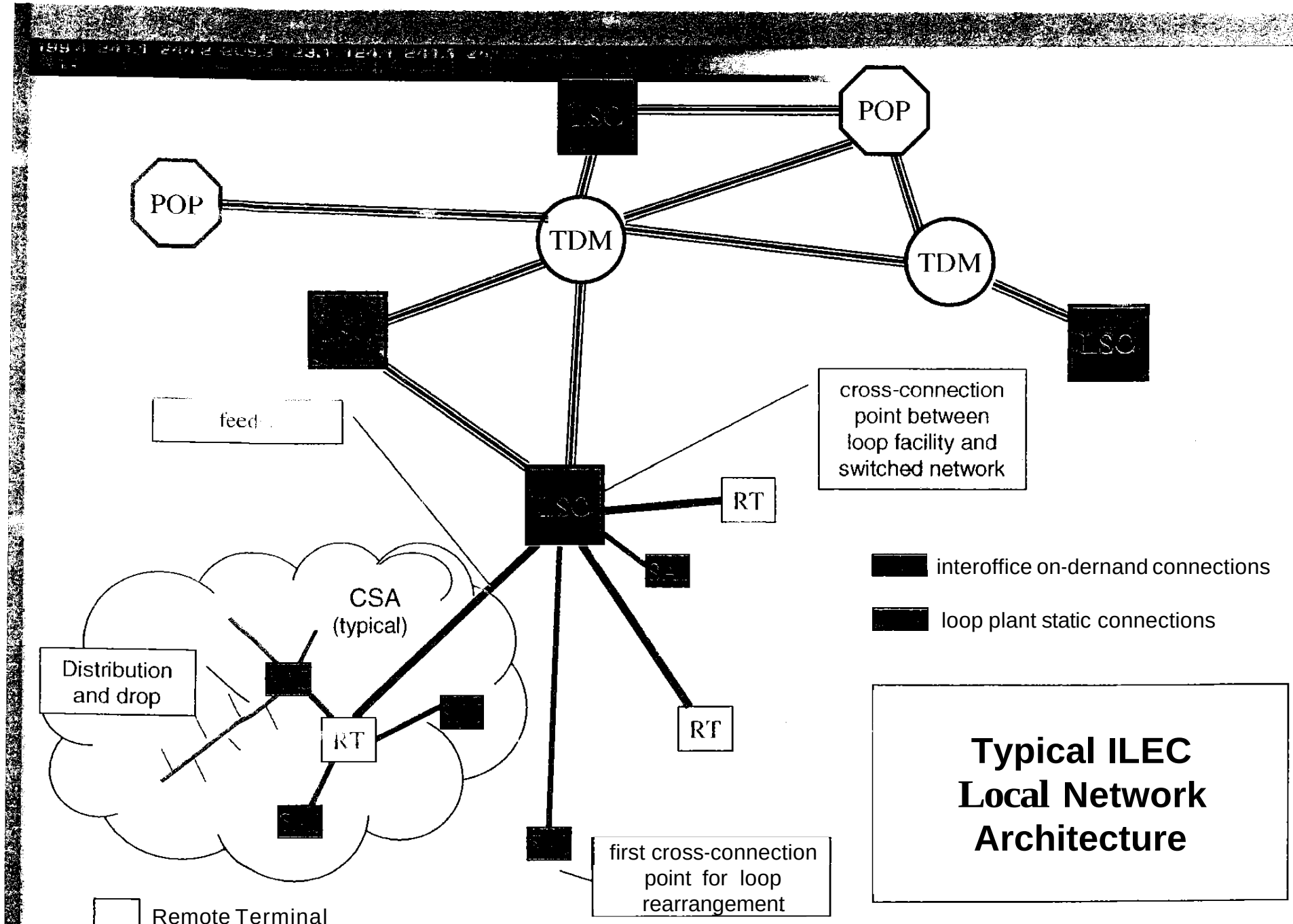
FACING THE ANALOG WALL

AT&T

November 8, 2002

How Do Regulators Create an Environment That Will Encourage Rational Facilities Builds?

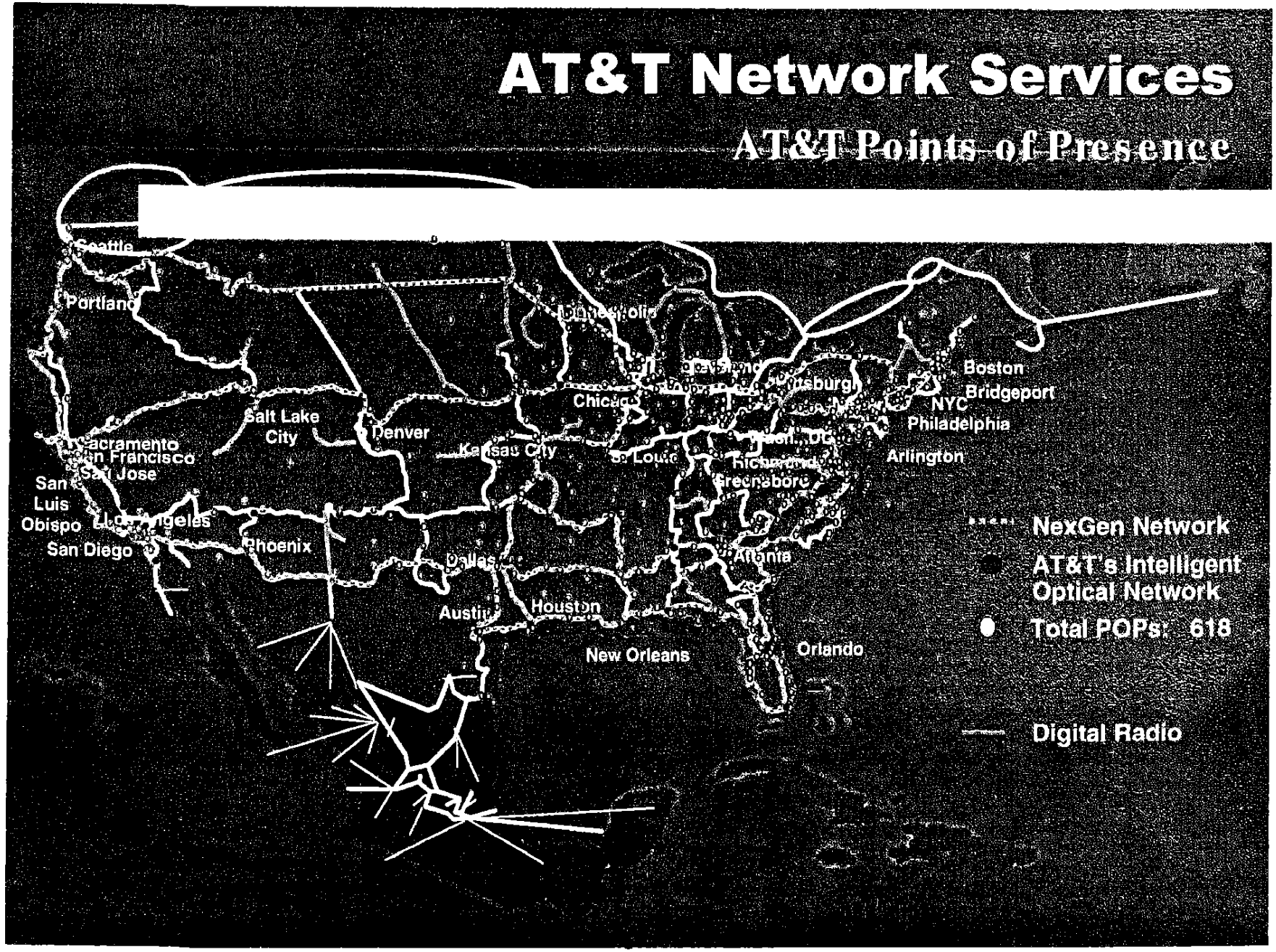
- *UNDERSTAND ILEC/CLEC NETWORK ARCHITECTURE DIFFERENCES*
- *IDENTIFY AND MINIMIZE CLEC COST DISADVANTAGES*
- *CREATE AN EVEN PLAYING FIELD FOR ALL ALL DISTANCE PLAYERS*

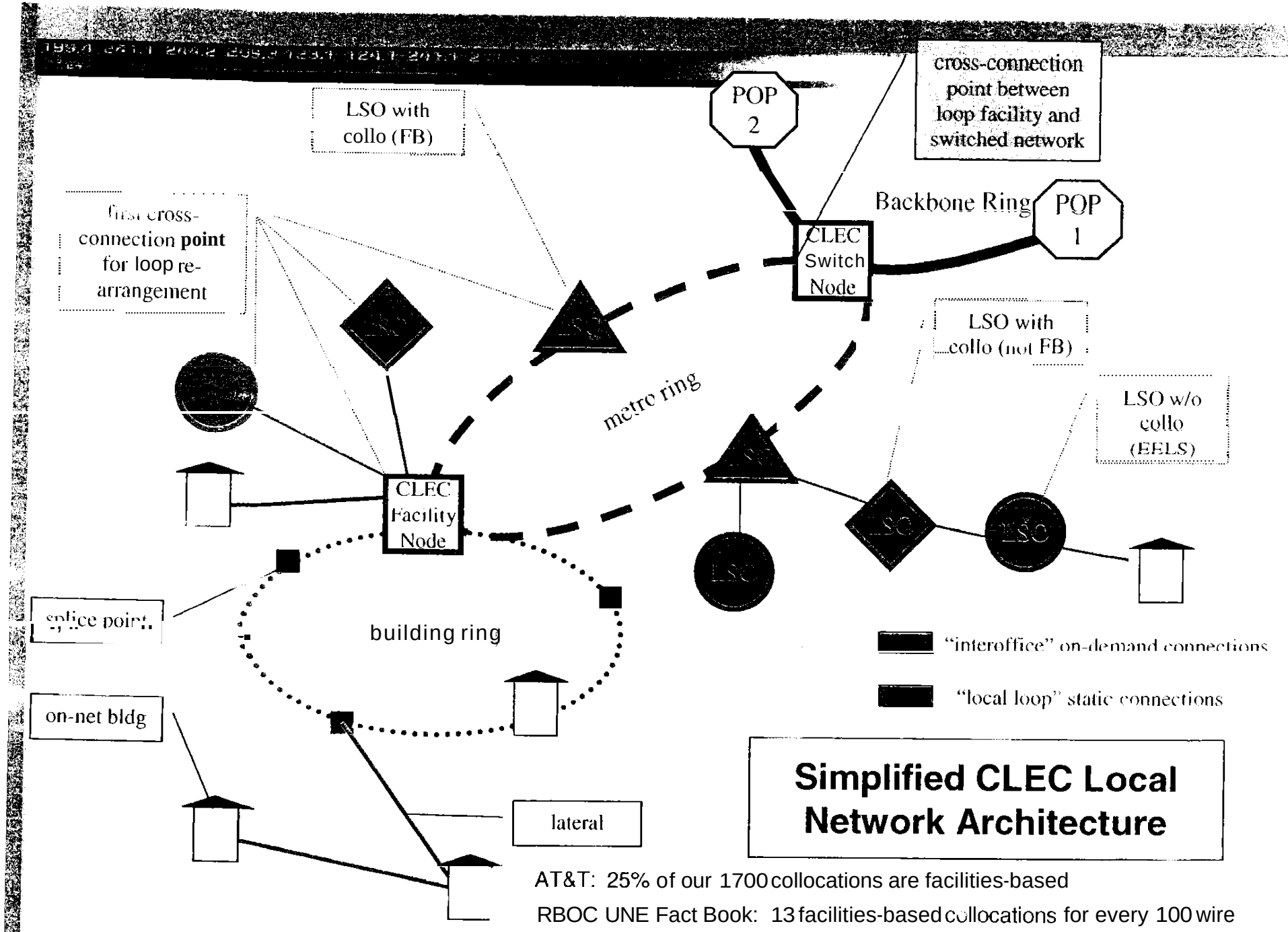


Typical ILEC Local Network Architecture

AT&T Network Services

AT&T Points of Presence





Simplified CLEC Local Network Architecture

AT&T: 25% of our 1700 collocations are facilities-based

RBOC UNE Fact Book: 13 facilities-based collocations for every 100 wire centers

The Key for all Providers: Connecting the loop to a switched network

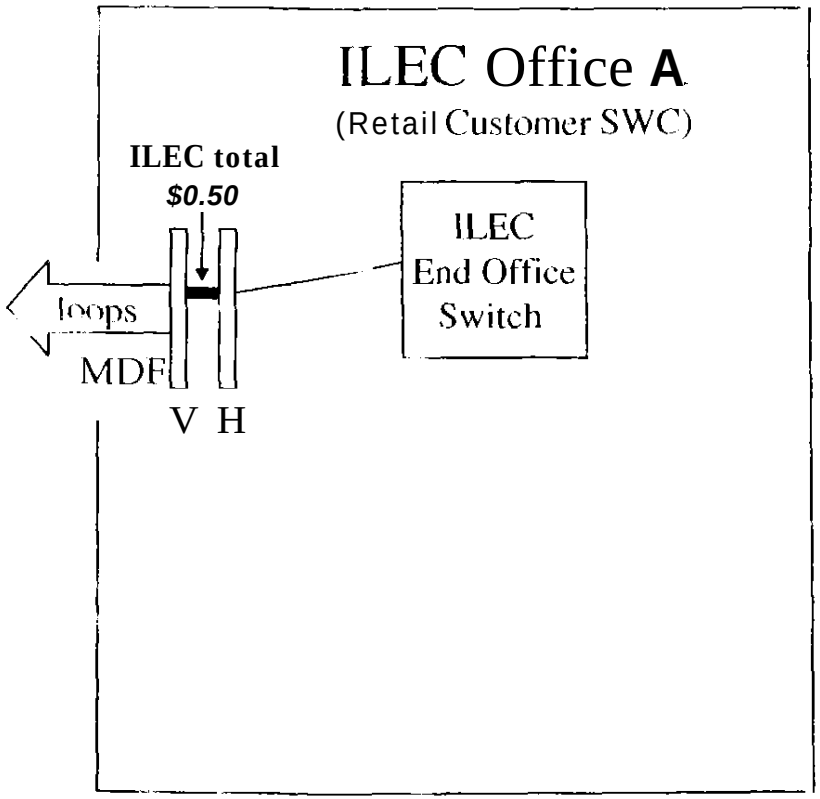
Key ILEC Costs

- Cross-connection from loop to ILEC switch port with a few feet of jumper cable

Key CLEC Costs

- Collocation Costs
  - Space; Power; Cross-Connect Devices
- Loop Provisioning Costs
  - Hot Cut charge and internal CLEC costs to support manual processes
- Transmission Equipment
  - DLC; Multiplexer (DS1 to DS3)
- Transport Costs
  - Interoffice Transport or Special Access
- Facilities-Based Connectivity Costs
  - Add/Drop multiplexer (DS3-OC48)
  - Fiber distribution panel
  - Connectivity to metro ring

ILEC vs. CLEC loop interconnection

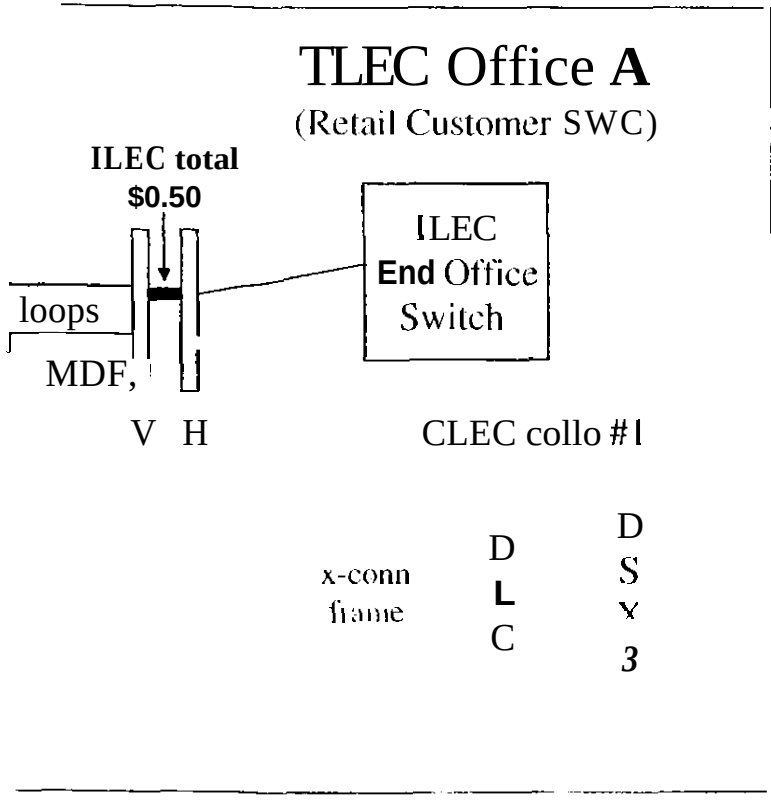


When an TLEC activates service for a retail customer, the customer's loop must be connected to the switch port. Either a short pair of wires is run between the loop and the switch port appearances on the Main Distribution Frame or, if the connection was left in place, a software transaction activates service

The connection between the loop and the switch functionality for the ILEC is a short copper pair that represents a cost well under 50 cents per month

ILEC Backhaul Network

ILEC vs. CLEC loop interconnection



When a CLEC attempts to provide voice grade service over a UNE-L, it must invest in an extensive backhaul infrastructure to provide the equivalent of the tie-pair

First, the CLEC must digitize and multiplex every UNE-L to permit transmission of **the** customer's communications to a distant switching location

This activity, assuming 100% utilization, generates added costs of about $2.33* per loop for the DLC functionality plus about about $1.41' per loop for collocation space the DLC consumes

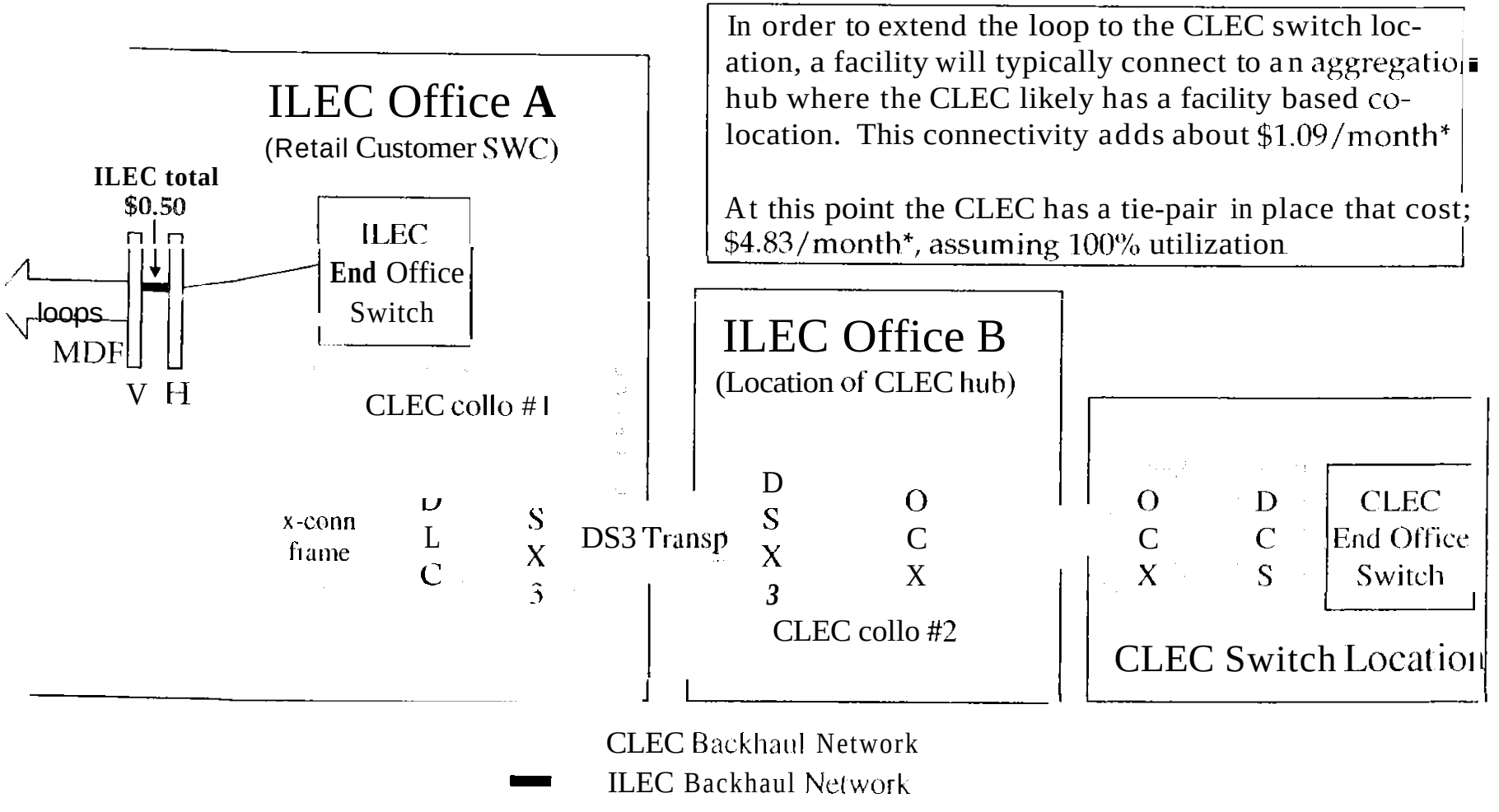
At this point the loop has yet to be extended to a different location

ILEC Backhaul Network

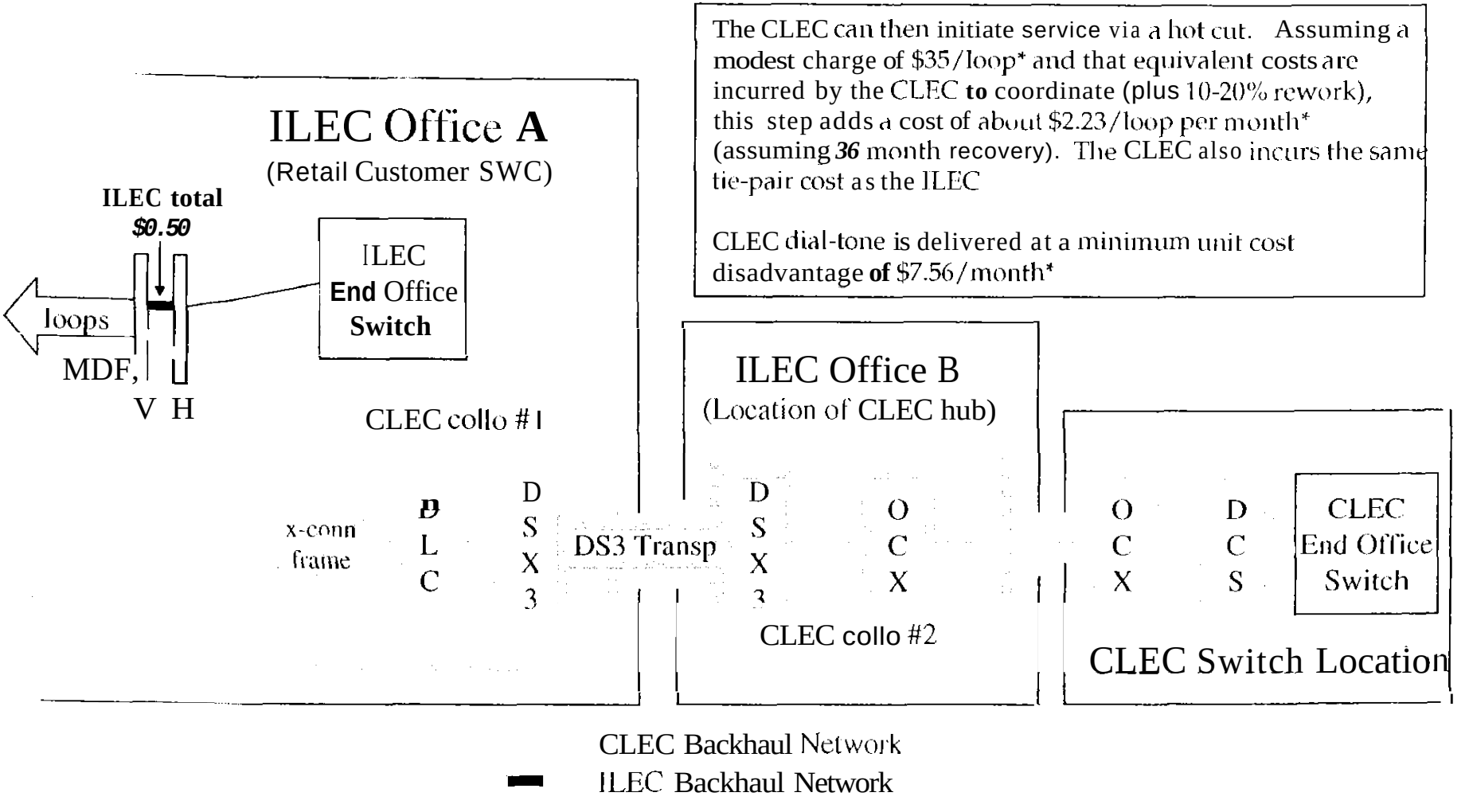
CLEC Backhaul Network

* All costs represent conservative estimates of industry costs and are not reflective of AT&T's actual costs

ILEC vs. CLEC loop interconnection



ILEC vs. CLEC loop interconnection



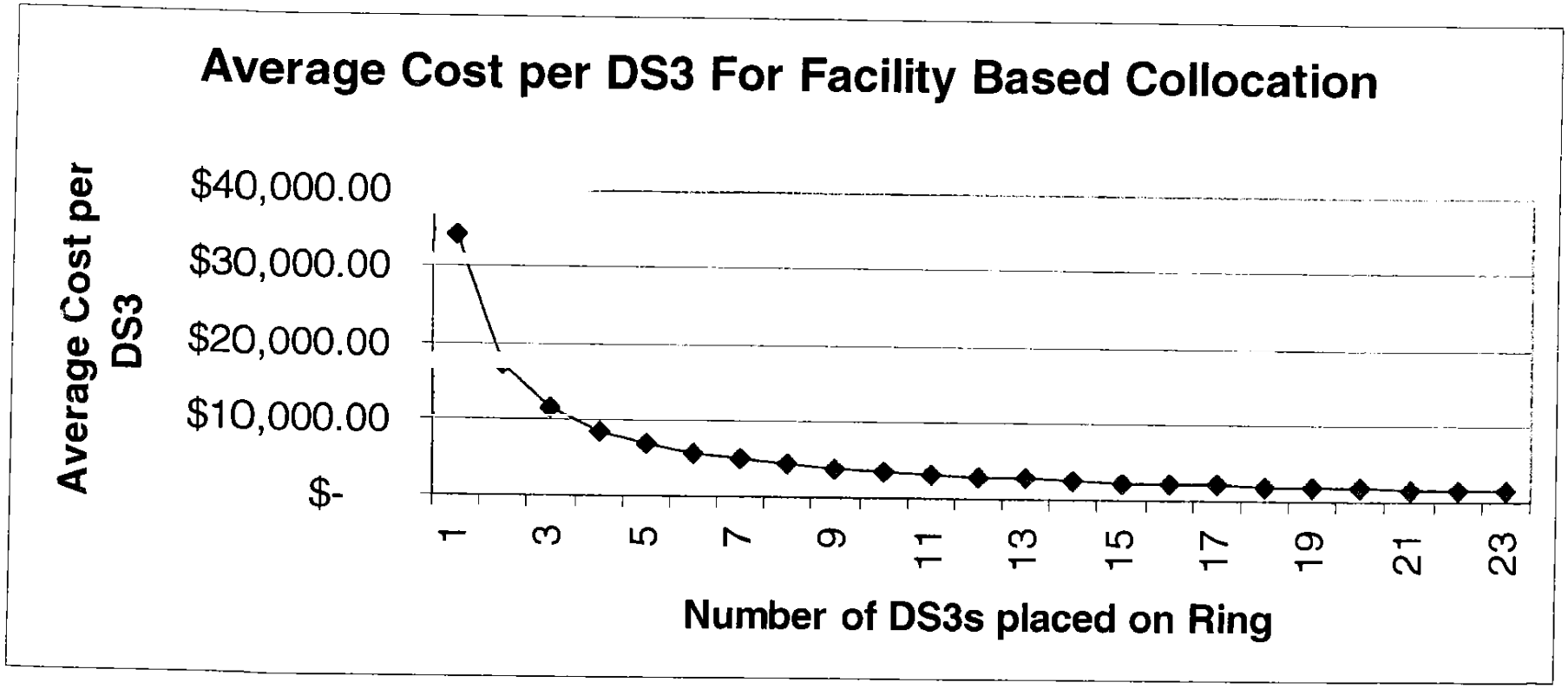
ILEC vs. CLEC loop interconnection

- Recap of Unit Cost Disadvantage for CLECs at 100% Utilization*

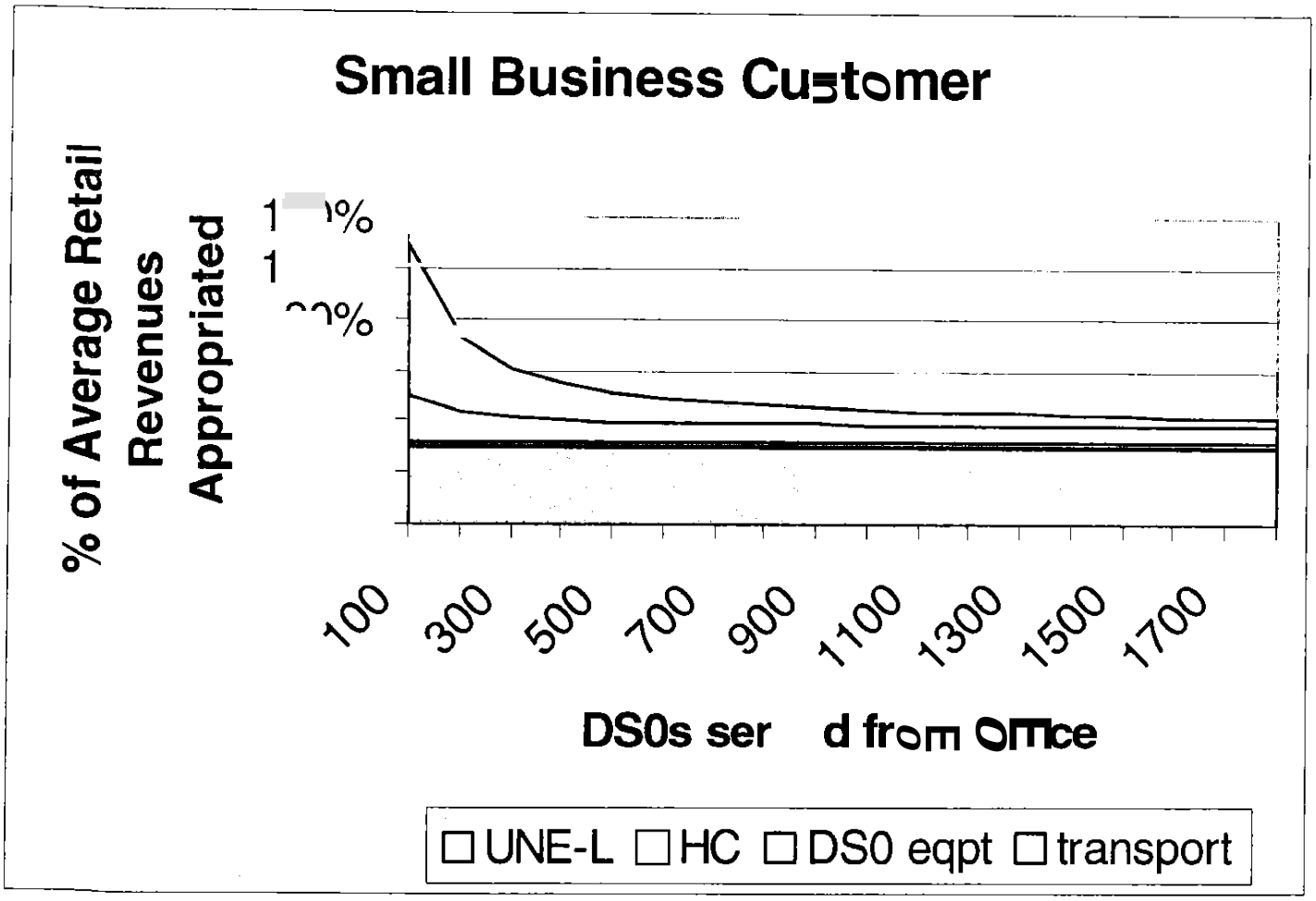
  - ✓$0.50/month Main Frame cross-connection
  - ✓$2.33/month Loop Digitization (DLC)
  - ✓ $1.41/month Collocation Space
  - ✓ $1.09/month LSO-Switch Connection
  - ✓ $2.23/month Customer Transfer Cost

$7.56/month "tie-pair" for CLEC versus*
$0.50/month tie-pair for ILEC

Capacity Cost at a "Typical" Facility-Based Collocation

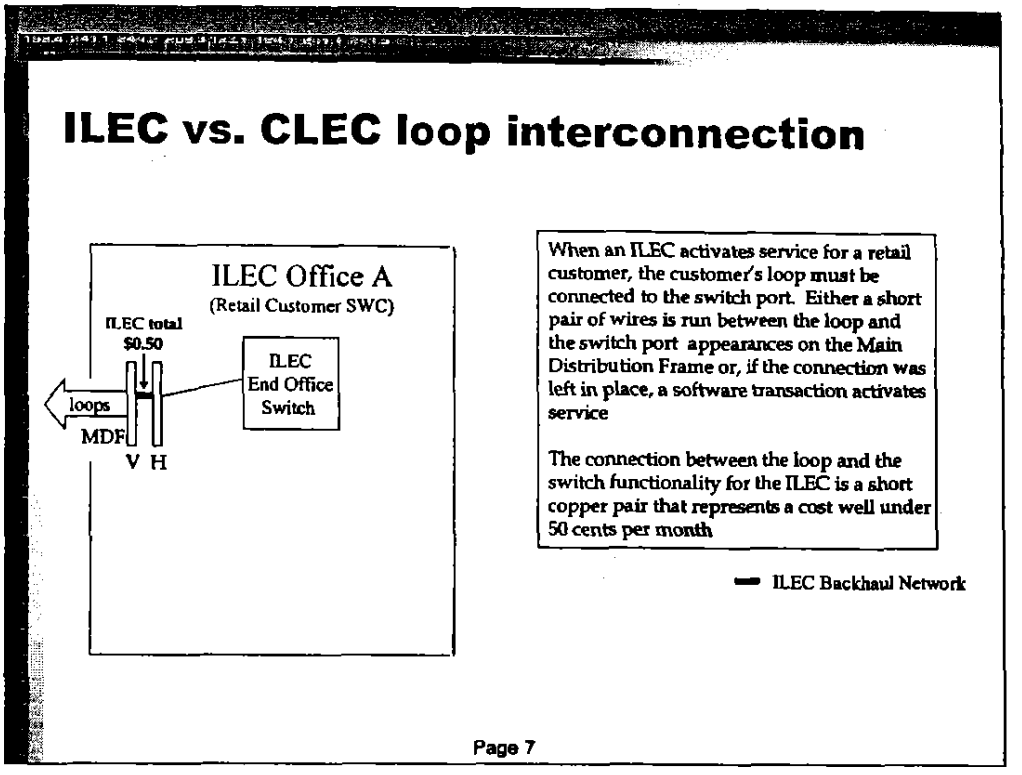


Small Business Backhaul "Disadvantage" Is Sizeable



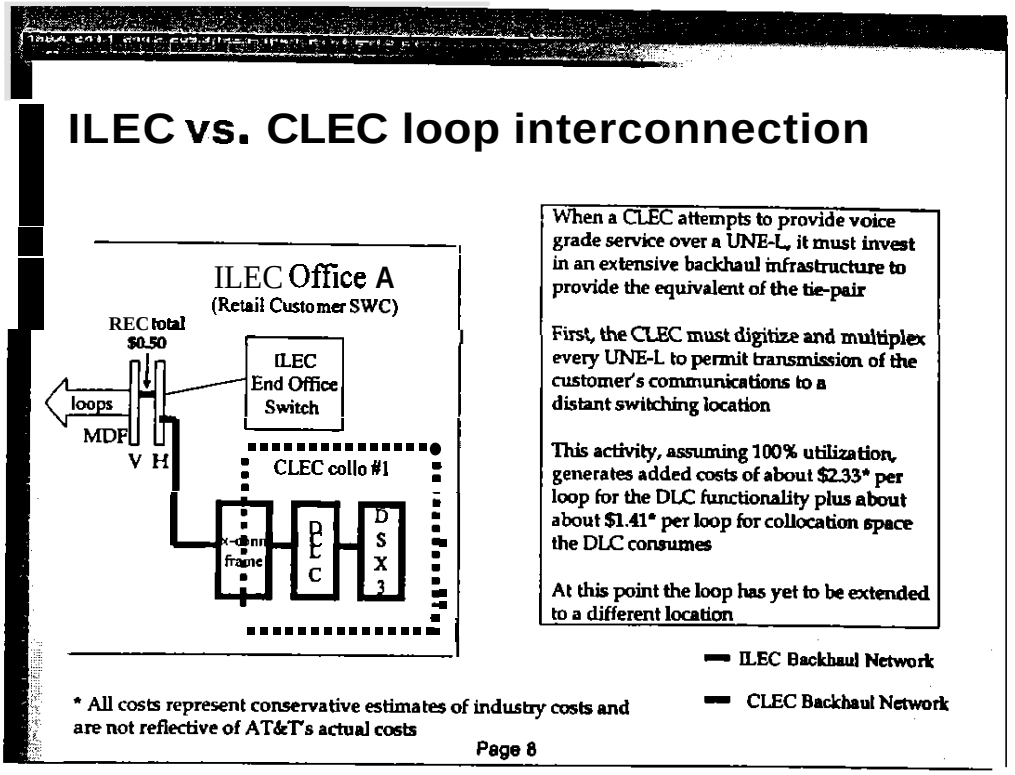
Moving Beyond Local Impairments

- Electronic Access to the Loop
  - Local and LD PIC processes at parity
  - Support competing platforms for provision of broadband services
  - Breaches the analog wall
- Support efficient aqgregation of traffic on local CLEC networks
  - Hubbing is needed *to* help fill capacity for facility-based collocations
  - Loop, collocation and transport UNEs must be at TELRIC
  - No use/commingling restrictions
- UNE-P is essential to allow CLECs to build a customer base that will support facilities build-out where economically rational
- State PUC Review is Essential



COST ESTIMATE INFORMATION:

ALL COSTS REPRESENTED IN THIS PRESENTATION ***ARE*** CONSERVATIVE ESTIMATES OF AVERAGE INDUSTRY COSTS **AND** *ARE* NOT REFLECTIVE OF AT&T'S ACTUAL COSTS



Calculation: DLC investment = $277,220 * .2713 annual **cost factor / 12**
=$6267.48

demand capacity =672*4 = 2,688

monthly cost = 6267.48/2688 = $2.33

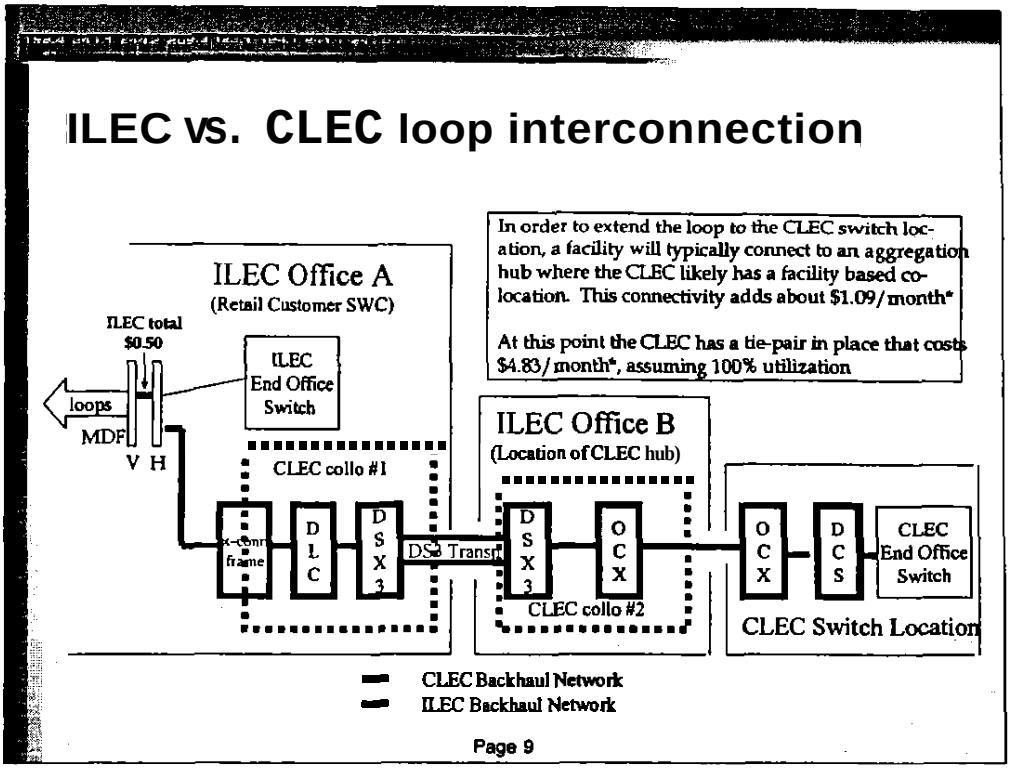
Collocation build (investment) = $175,000 *.2713 ACF/12 = $3956.46

Collocation rental (monthly) = $3600

Total **effective cost/month** = $7556.46

DLC **capacity of** 100 **sq ft** = 8 **modules** = 5376 **lines**

Collo cost per line = $7,556.46/5376 **lines** = $1.41/month



DS3 special access w/o CT at 5 year contract = ~$1000

Capacity = 2688 VG loops per DS3

Transport to hub = $1000/2688 loops = $.37/month/loop

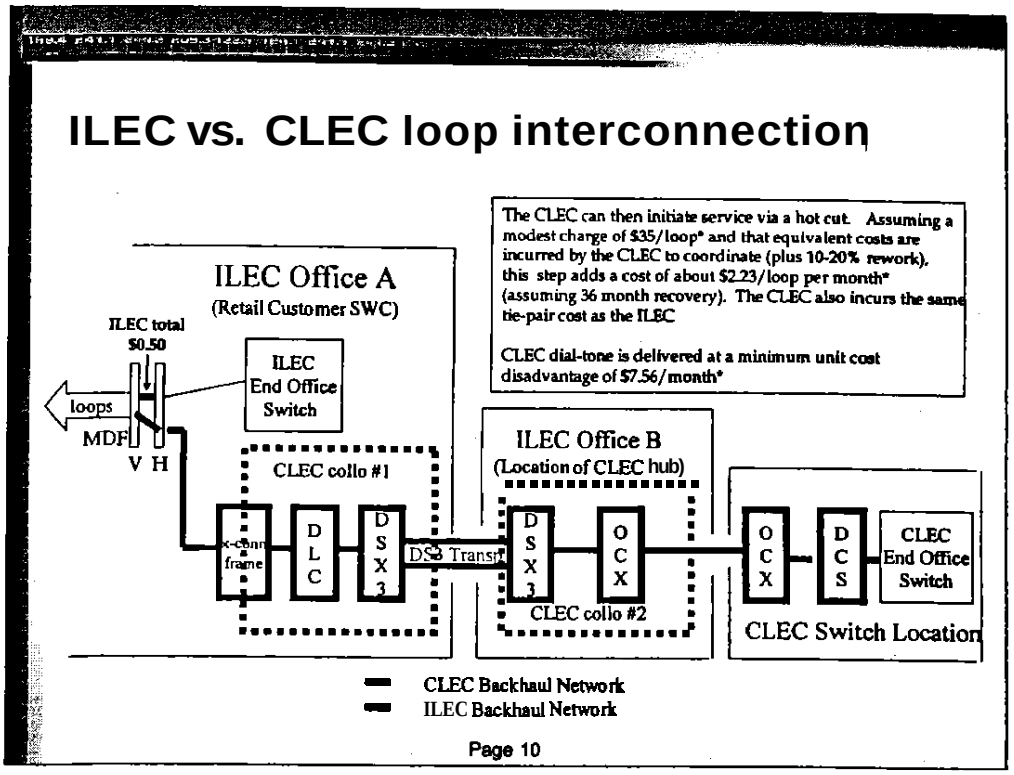
Facility-based collo = $35,000/month

Utilization = 18 DS3

FB Node cost/DS3 = $35,000/18 DS3 = $1944/DS3 * 1DS3/2688 loops

= $0.72/loop /month

Backhaul = $0.37+ $0.72 = $1.09



Median Hot Cut charge = $35.00

Internal Cost =$35.00

15% **rework** ($70*.15) =$10.50

average transfer cost/successful transfer = $80.5

average account life = 36 months

cost/month (without **any financing cost)** = $2.23/month

ILEC vs. CLEC loop interconnection

Recap of Unit Cost Disadvantage for CLECs at 100% Utilization

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